

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 IO-13 ISO-00 AGRE-00 CEA-01 CIAE-00

COME-00 DODE-00 FRB-03 H-01 INR-07 INT-05 L-03

LAB-04 NSAE-00 NSC-05 PA-01 EPG-02 AID-05 SS-15

STR-04 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02

FEAE-00 OMB-01 /100 W

-----201735Z 105813 /50

P R 201428Z MAY 77

FM AMEMBASSY HELSINKI

TO SECSTATE WASHDC PRIORITY 0000

INFO USMISSION GENEVA

USMISSION OECD PARIS

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EO 11652: N/A

TAGS: ETRD, GATT, FI

SUBJECT: FINLAND'S CONSULTATION IN GATT BALANCE OF PAYMENTS
COMMITTEE

REF: (A) GENEVA 3769, (B) HELSINKI 0044, (C) HELSINKI A-43,
(D) HELSINKI A-30

1. SUMMARY: NEW TRADE RESTRICTIONS HAVE BEEN AVOIDED OVER
PAST YEAR EXCEPT FOR AN EXTENSION TO ADDITIONAL IMPORTS
OF REQUIREMENT FOR IMMEDIATE CASH PAYMENT, AND IMPORT DEPOSIT
SCHEME WAS PHASED OUT OVER YEAR AND ABOLISHED AT END OF YEAR
AS PROMISED. FOREIGN ACCOUNT SHOWING IMPROVEMENT BUT STILL
VERY WEAK. IT IS TOO EARLY TO FORECAST ECONOMIC POLICIES
OF GOVERNMENT FORMED MAY 14, BUT ECONOMIC REALITIES LIMIT
NEW POLICY ALTERNATIVES. WE ENDORSE IMF'S VIEW THAT PRESENT
IMPORT RESTRICTIONS NOT UNWARRANTED. END SUMMARY.

2. EXTREMELY TIGHT MONETARY POLICY IS MAIN DEVICE USED
BY BANK OF FINLAND AND GOVERNMENT TO COMBAT INFLATION AND
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BALANCE-OF-PAYMENTS PROBLEM. THIS BASIC APPROACH COMPATIBLE
WITH AVOIDANCE OF TRADE RESTRICTIONS, AND GOVERNMENT
OFFICIALS WITH WHOM WE DEAL SEEM TO ATTRIBUTE GENUINE
IMPORTANCE TO CONFORMITY WITH GATT PER SE.

3. GOVERNMENT'S GATT RECORD OVER PAST YEAR SEEMS TO
US VERY GOOD UNDER THE CIRCUMSTANCES. IMPORT DEPOSIT SCHEME WAS

PHASED OUT AS SCHEDULED AND ABOLISHED DECEMBER 31. THE ONLY NEW RESTRICTIVE TRADE AND FOREIGN EXCHANGE MEASURES OVER PAST YEAR THAT WE ARE AWARE OF ARE:

(A) ON SEPTEMBER 1 IMPORTERS WHO ARE REGISTERED WHOLESALERS WERE REQUIRED TO PAY TURNOVER TAX AT THE POINT OF CUSTOMS CLEARANCE RATHER THAN AT THE POINT OF SALE AS PREVIOUSLY, WHEREAS DOMESTIC PRODUCERS CONTINUE TO HAVE THE ADVANTAGE OF PAYING AT THE POINT OF SALE. THE BRITISH HAVE REFERRED THIS TO THE EC, WHICH IS STUDYING THE MATTER. (WHILE THE EFFECTS SEEM RATHER LIMITED, EVEN WITH CREDIT VERY TIGHT, A QUESTION IN BOP COMMITTEE ON FINNISH INTENTIONS ON THIS POINT WOULD BE IN ORDER.)

(B) ON DECEMBER 27 A SIX-MONTH SURCHARGE WAS IMPOSED ON IMPORTS OF HIGHER-PRICED PANTYHOSE, TO PROTECT A TROUBLED FINNISH PRODUCER. (IN 1976 TOTAL PANTYHOSE IMPORTS FROM US CAME TO ONLY FMK 4,138, SLIGHTLY OVER \$1,000.)

(C) ON MARCH 1 LIST OF GOODS ESTABLISHED 1973 ON WHICH FULL PAYMENT REQUIRED PRIOR TO RELEASE FROM CUSTOMS WAS EXTENDED FROM ABOUT 18 PERCENT TO 33 PERCENT OF VALUE OF TOTAL IMPORTS (REF B). THE MEASURE'S IMPACT WAS INTENSIFIED BY UNAVAILABILITY OF CREDIT BECAUSE OF BANK OF FINLAND'S TIGHT MONEY POLICY (AND JUSTIFIED BY BANK ON GROUNDS IT REMOVES ANOMALY OF CREDIT FOR DOMESTICALLY PRODUCED GOODS LIMITED OFFICIAL USE

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BEING UNAVAILABLE WHEREAS FOREIGN CREDITS AVAILABLE FOR IMPORTS). MAIN US PRODUCT AFFECTED APPEARS TO BE TOBACCO; US EXPORTS \$6 MILLION WORTH OR 40 PERCENT OF MARKET (REF C, NOT SENT GENEVA).

4. IMPORT LICENSING IS NOT PRIMARILY IMPOSED FOR BOP REASONS. WHILE WE UNDERSTAND LICENSING OF FUELS IS IMPOSED IN LARGE PART TO GIVE GOVT HANDLE ON CERTAIN IMPORTS FROM EASTERN EUROPEAN, ESPECIALLY POLISH COAL, MAIN PURPOSE OF AGRICULTURAL LIMITATIONS APPEARS TO BE PROTECTION OF HIGH-COST FINNISH AGRICULTURE. LICENSING OF AGRICULTURAL PRODUCTS GENERALLY ADMINISTERED SO AS NOT TO DISCRIMINATE AMONG ALTERNATIVE FOREIGN SOURCES EXCEPT THAT IT APPEARS THAT (A) NEWCOMERS HAVE PROBLEMS BECAUSE QUOTAS DIVIDED AMONG IMPORTERS LARGELY PROPORTIONALLY TO THEIR PREVIOUS YEAR'S VOLUMES, AND (B) EASTERN EUROPEAN COUNTRIES WITH WHICH FINLAND CONDUCTS TRADE ON BALANCED BASIS APPEAR NOT TO BE RESTRICTED IF SPECIFIED UNDER

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ACTION EB-07

INFO OCT-01 EUR-12 IO-13 ISO-00 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 FRB-03 H-01 INR-07 INT-05 L-03
LAB-04 NSAE-00 NSC-05 PA-01 EPG-02 AID-05 SS-15
STR-04 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02
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P R 201428Z MAY 77
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BILATERALLY NEGOTIATED ARRANGEMENTS. IN REAL TERMS,
WE ARE ASSURED PRIVATELY, TREATMENT OF EE'S DOES
NOT DISCRIMINATE AGAINST US EXPORTERS SINCE EITHER
US DOES NOT EXPORT PRODUCTS CONCERNED, OR PRICE AND QUALITY ARE
AT OPPOSITE ENDS OF RANGE, AND IN ANY CASE IMPORTS FROM
EE'S DO NOT DIMINISH AVAILABILITY OF FOREIGN EXCHANGE
UNDER "GLOBAL" QUOTAS. (A QUESTION ABOUT LIKELIHOOD
OF REMOVING LICENSING RESTRICTIONS ON AGRICULTURAL
GOODS WHEN BOP SITUATION PERMITS MIGHT BE CONSIDERED.)

5. ALLEGED IMPEDIMENTS BY FINNISH GOVERNMENT TO
IMPORTS OF PHARMACEUTICALS ARE DESCRIBED REF D. THESE
APPEAR TO CONSTITUTE BLATANT PROTECTIONISM, BUT FALL
WITHIN AREA OF GOVT PROCUREMENT. WHILE AMERICAN
COMPANIES ARE INVOLVED, VIRTUALLY ALL OF PRODUCT IS
MANUFACTURED IN WESTERN EUROPE.

6. WE SCROUNGED IMF DOCUMENTS EB/CGATT/77/1 AND
SM/77/88 FROM LOCAL SOURCE (WE WOULD MUCH PREFER TO
RECEIVE THEM FROM DEPT) AND FOUND IN FORMER KEY
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CONCLUSION "IN VIEW OF THE EXTREMELY LOW LEVEL OF FINLAND'S EXTERNAL RESERVES, THAT THE PRESENT SYSTEM OF IMPORTANT QUOTAS AND LICENSING IS, FOR THE PRESENT, NOT UNWARRANTED." WE SUPPORT THIS RECOMMENDATION AND, ACCORDINGLY, THE APPROACH RECOMMENDED BY GENEVA (REF A, PARA 3), THOUGH WE DOUBT THAT THE RESTRICTIONS SHOULD BE CALLED "FULLY" JUSTIFIED IN COMMITTEE CONCLUSION IN VIEW OF THE FEW RESERVATIONS SET FORTH IN THIS MESSAGE. BALANCE-OF-TRADE SURPLUS OF FMK 247 MILLION FIRST QUARTER 1977, WHILE INDICATING PROGRESS IN REDUCING CURRENT ACCOUNT DEFICIT BECAUSE OF RECESSIONARY SLUMP IN IMPORT DEMAND, PARTICULARLY CAPITAL IMPORTS, AND STRINGENT BANK OF FINLAND POLICIES, SHOULD NOT BE MISINTERPRETED AS SIGNALLING PAYMENTS DIFFICULTIES OVER. WEAK FOREIGN DEMAND FOR FINNISH GOODS AND INTERNAL COST PROBLEMS INDICATE EXPORT PERFORMANCE WILL NOT REBOUND SHARPLY THIS YEAR.

7. GENEVA SHOULD BE AWARE NEW MAJORITY GOVERNMENT FORMED HER MAY 14. INITIAL POLICY STATEMENT ISSUED THAT ADATE, BUT ECONOMIC POLICIES NOT YET WORKED OUT. FINNISH DELEGATION COULD NOT BE EXPECTED HAVE MUCH TO SAY ON SUBJECT. IN ANY CASE, ECONOMIC REALITIES LIMIT NEW POLICY ALTERNATIVES.
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Message Attributes

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Litigation Codes:
Litigation History: Hold (001 Tobacco) added on 4/16/2009 3:39:08 PM by WASHDCMcGoldRJ, Hold (001 Tobacco) removed on 4/16/2009 3:45:05 PM by WASHDCMcGoldRJ (Litigation Hold Lifted)
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